

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 10487 041757Z

55

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 OPR-02 FS-01 ABF-01 A-01

DODE-00 PA-01 PRS-01 /060 W
----- 003790

R 041515Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5804

C O N F I D E N T I A L CAIRO 10487

E.O. 11652: GDS

TAGS: ECON EG

SUBJ: COST OF LIVING RISE AS CAUSE FOR PUBLIC CONCERN IN EGYPT

REF: A) CAIRO 4236 B) CAIRO A-47 C) CAIRO A-140 D) CAIRO A-146

1. REF MESSAGES PROVIDE AT LEAST PRELIMINARY OVERVIEW OF CURRENT WAGE/PRICE SITUATION IN EGYPT. ACCORDING TO OUR CALCULATIONS, COST OF LIVING HAS RISEN SINCE 1973 ABOUT 38 PERCENT FOR MIDDLE-INCOME GROUP AND 35 PERCENT FOR VERY LARGE LOWER-INCOME SEGMENT OF POPULATION, DIFFERENCE BEING ACCOUNTED FOR BY VARYING EXPENDITURE PATTERNS AND EFFECT OF SUBSIDIES. IMF DATA (INTERNATIONAL FINANCIAL STATISTICS, JULY, 1976) SHOW RISE OF 30 POINTS IN CONSUMER PRICE INDEX 1973- -JAN. 1976. INFLATIONARY PRESSURES THUS CLEARLY HAVE BEEN EVIDENT IN EGYPTIAN ECONOMY SINCE PERIOD PRIOR TO OCTOBER 1973 WAR, DESPITE GOE'S POLITICALLY- MOTIVATED EFFORTS TO MITIGATE EFFECT THROUGH DIRECT AND INDIRECT SUBSIDIZATION OF CONSUMER PURCHASES.

2. OUR INQUIRIES INDICATE A SUBSTANTIAL DEGREE OF UPWARD MOVEMENT ON WAGE SIDE OF EQUATION, AS WELL, ALTHOUGH RECIPIENTS OF INCREASED INCOME ARE UNEVENLY DISTRIBUTED THROUGH SOCIETY AND TOTALS REMAIN LOW IN COMPARISON WITH DC'S. MINIMUM LEGAL WAGE WAS RAISED IN 1975, ALBEIT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 10487 041757Z

ONLY TO EQUIVALENT OF \$30 PER MONTH. (ALL MONETARY UNITS

CITED HERE ARE ARBITRARILY CONVERTED AT OFFICIAL RATE OF LE 1 EQUALS \$2.55 MORE REALISTIC VALUATION FOR INTERNATIONAL TRADE PURPOSES IS INCENTIVE RATE OF LE 1 EQUALS \$1.47). ARMED FORCES PAY WAS INCREASED 10 TO 15 PERCENT IN MD -1975. CIVIL SERVICE ATC PUBLIC SECTOR ENTERPRISES SALARIES WERE RAISED FOR LOWEST -PAID EMPLOYEES IN 1975 AND AGAIN IN

1976, FOR TOTAL INCREASE OF UP TO 42 PERCENT OF PREVIOUSLY -SET BASE PAY, DEPENDING ON FAMILY STATUS AND RANK. AUTONOMOUS JUDICIARY WAS GRANTED IMPROVED COMPENSATION SCHEDULE IN MARCH 1976 WHICH EVIDENTLY BENEFITTED SENIOR OFFICIALS MOST. ACCORDING MININD, AVERAGE INDUSTRIAL SECTOR WAGE, PUBLIC AND PRIVATE, IS NOW \$84 PER MONTH, INCREASE OF NEARLY \$8 OVER 1975.

3. INFORMATION AVAILABLE TO US SUGGESTS, THEREFORE, THAT COST OF LIVING INCREASES ON ORDER OF 30-40 PERCENT SINCE OCTOBER WAR HAVE BEEN PARTIALLY MATCHED, IF SOMEWHAT BELATEDLY, BY SALARY INCREASES IN CERTAIN IMPORTANT SEGMENTS ZPF EGYPT'S PUBLIC SECTOR-ORIENTED ECONOMY, I.E., AMONG THE NUMEROUS LOWER RANKING CIVIL SERVANTS AND GOE EMPLOYEES IN PUBLIC ENTERPRISES AND AMONG THE ELITIST JUDICIARY OFFICIALS.

4. IT SEEMS OBVIOUS ALSO THAT ARMED FORCES AND MIDDLE AND HIGHER-RANKING CIVIL SERVICE EMPLOYEES HAVE BEEN LEFT BEHIND. AN OFFICIAL REACHING PINNACLE OF CAREER SERVICE AS LT. GEN. IN ARMY, AMBASSADOR OR FIRST UNDERSECRETARY IN CIVIL SERVICE, STILL RECEIVES ONLY ABOUT \$425 PER MONTH IN BASE SALARY, SAME LEVEL PREVAILING SOME FIVE YEARS AGO. DATA ARE LACKING ON EXTENT OF ALLOWANCES AND OTHER REMUNERATION, ESPECIALLY REGARDING ARMED FORCES BENEFITS, BUT INFERENCE IS VALID THAT SALARIED LEADERSHIP OF GOE PROBABLY HAS LOST IN PURCHASING POWER OVER RECENT YEARS AMOUNT EQUAL TO GENERAL RISE IN PRICES.

5. WORKERS AT OTHER END OF SPECTRUM NOT IN PUBLIC EMPLOY, TOO UNDOUBTEDLY HAVE BEEN ADVERSELY AFFECTED. AS EXAMPLE, FARMERS, WHO ARE NEARLY ALL IN PRIVATE SECTOR, TO EXTENT THEY ARE ENCOMPASSED IN MONETIZED ECONOMY ARE DEPENDENT ON GOVERNMENT FOR PRICES RECEIVED FOR THEIR PRODUCT. IT HAS BEEN

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 10487 041757Z

IN INTEREST OF GOE TO MAXIMIZE SPREAD BETWEEN PRICES PAID TO FARMERS AND RECEIPTS FROM EXPORT COMMODITIES, IN ADDITION TO HOLDING DOWN FOOD AND FIBER COSTS TO DOMESTIC CONSUMERS. CASUAL NON-FARM LABOR ALSO REMAINS ONE OF THE CHEAPEST OF EGYPTIAN RESOURCES, ALTHOUGH DEMAND FOR SKILLED AND SEMI-SKILLED WORKERS HAS BEEN HEIGHTENED BY EXODUS TO NEIGHBORING OPEC STATES.

6. OUR IMPRESSION, THEN, IS THAT FOR TIME BEING LARGE SEGMENT OF PUBLIC SERVICE EMPLOYEES HAS BEEN MORE OR LESS PLACATED BY GOE WITH RELATIVELY RECENT SALARY INCREASES. THIS PERHAPS LESSENS POSENTIA DANGER OF WAGE/PRICE SITUATION, AS FAR AS MANY GOVERNMENT EMPLOYEES ARE CONCERNED , BUT LEAVES PENDING QUESTION OF EARNINGS OF HIGHLY IMPORTANT ARMED FORCES OFFICER CORPS AND CIVIL SERVICE AND PUBLIC ENTERPRISE OFFICIALS ABOVE LOWEST GRADES. THESE LEADING ELEMENTS OF EGYPTIAN GOVERNMENT EVIDENTLY HAVE SUFFERED SEVERELY UNDER POLICY OF HOLDING LINE ON SALARIES IN FACE OF UNSUCCESSFULLY CONTROLLED, RISING PRICES. SIMILAR FATE HAS BEFALLEN MUCH OF PRIVATE SECTOR, ALTHOUGH WAGE EARNERS IN THEORY ALSO RECEIVED COST OF LIVING INCREASES GRANTED TO PUBLIC SECTOR. INFLATION HAS SERIOUSLY ERODED STANDARD OF LIVING OF MANY EMPLOYED EGYPTIANS, INCLUDING, UNFORTUNATELY, THE POLITICALLY MOST SIGNIFICATN AND MOST ARTICULATE CLASSES OF SOCIETY--- MILITARY OFFICERS AND MIDDLE LEVEL TO SENIOR GOVERNMENT OFFICIALS -- WITH CONSEQUENCES YET TO BE MEASURED FOR FUTURE OF SADAT ADMINISTRATION.

7. EVEN SOLVING DILEMMA OF HOW TO MAINTAIN PURCHASING POWER OF EMPLOYED PUBLIC IN INFLATIONARY SITUATION, HOWEVER, WOULD NOT BEGIN TO ADDRESS PROBLZHS OF HIGH UNEMPLOYMENT AND MASSIVE UNDEREMPLOYMENT OR PROBLEM OF SUBSISTENCE -LEVEL SECTORS OF ECONOMY, WHICH ARE NOT AFFECTED BY SALARY AND ALLOWANCE INCREASES, BUT ON WHICH IMPACT OF EVEN MINIMUM PRICE RISE IS DEVASTATING. INCREASING DESIRE OF ECONOMICALLY-AWARE EGYPTIANS FOR BETTER LIFE FOR THEMSELVES AND FAMILIES IS ALSO SOURCE OF CONCERN, PARTICULARLY IF THERE IS NO APPARENT PROGRESS. COPING WITH POSSIBILITIES OF SHORT-TERM UNREST RESULTING FROM WAGE/PRICE PROBLEM IS IMPORTANT TASK OF GOE;
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 10487 041757Z

MEETING LONGER-TERM ASPIRATIONS MAY BE EVEN MORE CRUCIAL.

8. EMBASSY HAS REPORTED THAT GOE REJECTION OF IMF PROGRAM, OR AT LEAST INABILITY OR UNWILLINGNESS TO IMPLEMENT NECESSARY STEPS, WAS BASED LARGELY ON CONCERN OVER DOMESTIC REACTIONS TO INCREASE PRICES FOR LARGE RANGE OF IMPORTS THAT WOULD RESULT. SERIES OF REPORTS ON SALARIES AND PRICES PREPARED OVER PAST SEVERAL MONTHS (REFS) INDICATE THAT THESE CONCERNS ARE NOT WITHOUT BASIS.
EILTS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COST OF LIVING, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO10487
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760301-0233
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760885/aaaacxbr.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 CAIRO 4236, 76 CAIRO A-47, 76 CAIRO A-140, 76 CAIRO A-146
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by ellisoob>; APPROVED <08 OCT 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COST OF LIVING RISE AS CAUSE FOR PUBLIC CONCERN IN EGYPT
TAGS: ECON, EG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006